

Market Study and Fair Market Appraisal Requirements

An independent, experienced third party professional market analyst specifically qualified in affordable rental market with no financial interest in the Development must perform all market studies with up-to-date demographic data on the market area no more than twelve months old with the source clearly defined including those Developments in the construction stage. **All market studies must have been completed within twelve months prior to the application for funding** and include at a minimum:

- Be completed by a competent market professional with demonstrable experience in Indiana affordable housing markets. A resume outlining professional qualifications and specific competence must be included;
- A one page executive summary that includes the penetration rate, absorption rate, adverse impacts on existing housing developments, recommendations, and conclusion of the market;
- The executive summary must also include language that supports the location of the Development is in an area suitable for the proposed Development and is not now, nor is it likely in the future to become, subject to uses or determinations, which could adversely affect its operation;
- The date and name of the Market Analyst who conducted the physical site visit;
- Include a completed and signed Market Study Checklist (Form B).
- Source(s) for all information provided, including any assumptions, estimates, projections and models used in analysis;
- Occupancy type (i.e. elderly, special needs population, families);
- Description of proposed site, including the street(s) which will provide access to the site, evaluate the location of the site in terms of its visibility and marketability, adjacent land uses (note possible environmental concerns and objectable adjacent land use), evaluate the appropriateness of the development within the neighborhood;
- Describe and evaluate the following site improvements:
 - Number of buildings, stories, and type
 - Development amenities proposed
 - Construction type of the buildings (brick, vinyl, sided, concrete, etc)
 - Number of parking and type of parking spaces proposed
 - Number of units per acre
 - Any other separate structures located at the development (maintenance shed, separate clubhouses, etc.)
- Describe the developments unit types, number of units, square footage, and proposed rents for both market rate and affordable units. Describe if the proposed rents include tenant or owner paid utilities;
- Provide a map of the site area that shows clearly where the public and private facilities (both desirable and undesirable) are in relation to the Development.
- Provide color photographs of the site and existing structures from all significant perspectives and all significant nearby land uses.
- Market Analyst is required to review all plans and specs of the proposed development;
- Evaluate the appropriateness of the proposed unit mix, unit size, rents and amenities for the market and the occupancy type;
- Identify the availability of water, sewer and heat source (i.e. gas or electric) utilities;
- Competitive Rental Market (must provide Development name, age of Development, number of units, current occupancy, vacancy rate, square footage for comparable units, current rent for comparable units, amenities etc.);

- Define the geographic effective market area (both primary and secondary) and describe how the market was determined;
- Give a demographic description of the census tract if any in which the Development will be located;
- Give a demographic description of the potential tenants and the market area;
- Identify the number of special needs households residing in target area (if applicable);
- Major current employers;
- Unemployment trends;
- Define the housing needs for a development targeting the proposed occupancy type (i.e. special needs, elderly, family, multifamily);
- Explain how the Development addresses these housing needs;
- Identify all other housing Developments located in the market area including number of RHTC units, the average occupancy rate, and provide an average rent and rent range by unit size for these Developments. Must include RHTC Developments both operating and not yet placed in service (under construction). Must include market rate Developments as well;
- Identify future housing demand and potential housing supply;
- Analysis of households sizes and types;
- Estimates of affordable rents for low and moderate income populations;
- Calculate the penetration rate for each income level and the overall development. Thoroughly explain the methodology used and any benchmark figures utilized. Indicate if the penetration rates are acceptable and why;
- Project the absorption rate including the time required to reach 95% occupancy. Indicate if the absorption rate is acceptable and why;
- Analysis of available operating expenses and turnover rates of comparable properties in the market area;
- Project operating funds and expenses and identify the sources used to determine these projections;
- Evaluate the impact on other affordable and market rate housing. Discuss if the proposed development will have an adverse impact to the market and financial health of existing IHCDAs, non-IHCDAs, and market rate developments. Provide attributing factors for your conclusion;
- Provide a conclusion identifying the strengths and weaknesses of the proposed development;
- Provide a recommendation regarding whether to accept the development as proposed, accept the development with changes or decline the development. Be thorough in explaining the recommended changes and provide justification for declining a development.

Sufficient demand in the market area of the Development must exist and, based on reasonable predictions, will continue to exist during the term of the compliance period or other applicable period, for the number of units to be developed.

The fair market appraisal must be at a minimum an “As Is” appraisal and must be in compliance with the summary report for USPAP standards. USPAP standards can be found at www.appraisalfoundation.org

The market study must be addressed directly to IHCDAs from the third party preparing the market study with a sworn statement from the person who prepared the study certifying to IHCDAs the accuracy of the data reported in the study.

Two (2) copies of the market study must be received by IHCDAs by the application deadline and must state the name of the Development, the Owner, Development City, and Development County on the front cover.



Upon receipt of the market study IHCD A will submit the market study to a reputable independent market analysis professional for an independent review of the market study. IHCD A reserves the right to accept or decline the corresponding tax credit application from further review based on the recommendations of the independent market analysis professional.

NOTE: The market analysis firm performing the IHCD A independent review of the market studies (as mentioned above) will not be permitted to perform or submit market studies for a Development submitting a 2006 IHCD A funding application.

The market study must adequately address all of the issues outlined below in order to be considered satisfactory by the IHCD A. Any relationship between the preparer and the development sponsor must be disclosed, and the preparer may not have any interest in the development or relationship with the ownership entity. The study must also contain the preparer's resume or statement of experience. Finally, all data sources used in the report must be included in the appendix.

A market study must provide the following information in the order and format below:

A. Development Description

1. Physical description of the site, number of buildings, and adjacent parcels including a description of the condition of the site and neighborhood housing.
2. Site proximity to employment, public transportation, major roadways, schools, shopping, recreation, medical services, applicable special-needs services.
3. Use the table to outline a description of the proposed unit mix development. List amenities separately.

Development Data

Maximum % of AMI	Bedroom Sizes	Number of Units	Utility Allowance	Application Rent	Proposed Housing Cost=Rent +UA	Unit Square Footage	Rent/Sq Foot

4. Provide a map clearly delineating the location of the development; also locate the closest shopping, schools, and medical services on an additional map.
5. Description of the primary market area. Give a brief description of the primary market area from which the targeted residents will be drawn for the development.

B. Demographic Data

1. Population by age cohorts.

Age Groups	Population

2. Show the qualified households in the market area for the past 3 years.



Year			
Households			

3. Estimate the qualified household for the next 3 years.

Year			
Households			

4. Development income range.

Minimum Allowable Income for the Development	Maximum Allowable Income for the Development

5. Employment Information

What is the average annual unemployment rate for the past five (5) years from the Bureau of Labor and Statistics?

Year					
Unemployment Rate					

C. Supply within Primary Market Area.

- Description and occupancy levels of existing comparable multifamily developments, multifamily developments currently under development, and multifamily developments slated to begin construction within the year in the defined market study area of the proposed development. Federally or state assisted developments should be identified in this breakdown. If the proposed development is a family development, market area elderly developments may not necessarily be competitive with family units, and therefore do not have to be considered at the discretion of the market study preparer. Conversely, if the proposed development is elderly, market area family units do not have to be considered. Elderly should be considered as 65 and over. (For units with multiple floor plans and/or rents for each bedroom size, calculate the average for each data category below.)

Development Name	Location	Bedroom Size	Number of Units	Utility Allowance	Proposed Housing Cost=Rent+Utility Allowance	Unit Square Footage	Vacancy Rate	Distance from Subject	Development type (Market Rate, RHTC, Sec. 8)	Age of Development

D. Development-Specific Demand within Primary Market Area.

- The study should project a capture rate for the proposed development. This rate indicates the percentage of market share the development would need to capture.

The capture rate is to be calculated using net growth in the area. Please state your assumption used to determine your capture rate.

Capture Rate = %



2. Development Absorption Information
 - i. Estimate the number of months required for rent-up period.
 - ii. Calculate the Absorption Rate
 - iii. **Proposed Units/(absorption/month) = Absorption Rate**
- E. Conclusion and Recommendation by Market Analyst. Write a brief conclusion of the viability of the development, including rent recommendations.
- F. Signed Statement Requirements
 1. The signed statement must include the following language:

I affirm that I, or an individual under contract to my company, have made a physical inspection of the market area and that information has been used in the full study of the need and demand for new rental units. I understand that any misrepresentation of this statement may result in the denial of further participation with the Indiana Housing Finance Authority's rental housing program. I also affirm that I have no interest in the development or relationship with the ownership entity.

Market Analyst

Date